



**North Carolina Department of Health and Human Services**  
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Michael F. Easley, Governor

April 6, 2006

Carmen Hooker Odom, Secretary

**MEMORANDUM**

TO: Legislative Oversight Committee  
Local CFAC Chairs  
NC Council of Community Programs  
County Managers  
State Facility Directors  
LME Board Chairs  
Advocacy Organizations  
MH/DD/SAS Professional and Stakeholder Organizations

Commission for MH/DD/SAS  
State CFAC  
NC Assoc. of County Commissioners  
County Board Chairs  
LME Directors  
DHHS Division Directors  
Provider Organizations

FROM: Carmen Hooker Odom *Carmen Hooker Odom*

SUBJECT: Utilization Review and After-Hours Screening, Triage and Referral

Over the past several months we have been working to properly align certain administrative functions necessary to effectively manage the public mental health, developmental disabilities, and substance abuse services system. The Department recognizes that certain of these functions are performed best at the local level: care coordination, activities to ensure consumer rights, endorsement of providers, responding to provider complaints, monitoring and mentoring providers and collaboration at the local level with other public agencies. Other administrative functions, such as utilization review (UR) and after-hours screening, triage, and referral (STR) lend themselves to more efficient use based upon economies of scale. These functions can be performed more efficiently and effectively by fewer entities without sacrificing person-centered planning and the value of local administration.

At my request, Local Management Entities (LMEs) identified partners to join with them in performing these functions. The Department issued Requests for Application (RFAs) to identify the LMEs that would meet the criteria to perform UR functions for Medicaid and state-funded services and after-hours STR activities. After staff performed a careful, standardized review of all of the applications submitted, I concluded that the only way to ensure that utilization review (UR) for Medicaid services is conducted in a consistent, uniform way – as required by federal Medicaid regulations – is to have this function performed by a single, statewide UR vendor, ValueOptions. The only exception to this decision will be in the Piedmont catchment area where Medicaid services are delivered through a separately approved Medicaid waiver. The federal government has granted that program an exception to the requirements regarding statewideness.

The federal agency with responsibility for the Medicaid program, the Centers for Medicare and Medicaid Services (CMS), has increased its oversight of the Medicaid program. Their increased interest has found expression in the “Deficit Reduction Act (DRA),” the President’s proposed budget for Federal Year (FY) 2007, and in our recent State Plan Amendment (SPA) approval letter to provide enhanced mental health services. In all, CMS has put every State on notice that additional federal resources will be deployed to ensure that Medicaid programs operate in a consistent and efficient manner across the State and that reimbursement policies for mental health rehabilitation services will be further restricted. Since CMS’ approval of our new service definitions was conditioned on the presence of a standardized prior approval process, it is also likely that NC will be subject to an on-site, financial management review of



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its enhanced services SPA. For these reasons, I determined that my fiduciary responsibility to both the federal government and to the citizens of this State requires that all Medicaid services, including UR, be conducted in a consistent manner across the State. Unfortunately, after three separate RFAs, it became clear that this objective could not be achieved with multiple entities performing UR functions for Medicaid services. For that reason, I have decided to have all UR for Medicaid-funded MH/DD/SA services – including UR for Targeted Case Management for developmental disabilities and the CAP-MR/DD waiver – conducted by ValueOptions.

While it is true that LMEs have performed UR functions for the previous array of Medicaid-covered services; it also true, despite the Department's efforts to provide technical assistance, that the LMEs' performance over the years has been very uneven. We have found through quality reviews and consumer and provider complaints that there was inconsistency in the authorization and ordering of Medicaid services at the local level. It is important to note that since 1995, the Department has had paybacks to the federal government totaling \$100M for billing issues related to Medicaid-funded mental health services. In addition, the new enhanced services represent a very different service array from the ones that the LMEs previously authorized. These services are evidence-based and promising best practices and ensuring that the proper service is delivered in the proper dosage for the consumer is a key component of their effectiveness. Standardization of UR through ValueOptions will ensure consistency in application and interpretation of medical necessity criteria, provide for a single point of contact for providers and consumers to obtain information regarding their authorization of services and help to ensure continuity of care when consumers move across LME catchment areas.

There has been some confusion regarding the role of ValueOptions. ValueOptions is a national company operating in fifteen (15) states. They have operated in NC since 2001, performing UR functions for Medicaid, Health Choice, and the behavioral health benefit of the State Employees Health Plan. In September 2005 they were chosen to perform UR for the new enhanced MH/DD/SA service through a competitive bidding process. The contract was initially expected to be implemented in December, 2005 but implementation was postponed to allow LMEs to demonstrate that they were equally competent to perform these functions. ValueOptions will not deliver the actual Medicaid services as those services (to Medicaid-eligible people) will be delivered by qualified providers directly enrolled in the Medicaid program. The trained clinicians employed by ValueOptions will be located in North Carolina and licensed to practice in our State. Their role will be to review requests for authorization from providers to ensure that the services requested are medically necessary and to monitor consumers' situation to determine if they are achieving the outcomes expected from the services authorized.

The original plan was to have the same entity perform UR functions for Medicaid and state funded services. However, I have heard concerns from many LMEs about the plan to regionalize UR functions for state-funded services. Although I believe that effective management of scarce state resources is as important as careful management of Medicaid funds, I also understand that doing so is made more difficult by the wide variability in state funds allocated to programs and the fact that not all LMEs have clearly written benefit plans for state-only services. Therefore, we have decided not to proceed with the plan to have the same entity perform UR of state-funded services at this time. Instead, I have directed the Division of Mental Health, Developmental Disabilities and Substance Abuse Services to develop a technical assistance team to work closely with each LME to develop their individual authorization guidelines for the use of state funds, and look at the same regional considerations for state-only UR. Through this process, we believe we can implement more standardized criteria for the authorization of these services.

Finally, we have selected LMEs to perform after-hours STR functions for their program or for all of the LMEs in their self-identified alliances. The attached chart shows the LMEs selected and the

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catchment areas for which they will perform this function.

The Divisions of Medical Assistance and Mental Health, Developmental Disabilities and Substance Abuse Services will publish information in the near future regarding the implementation timeframes for these changes. Thank you for your continuing efforts on behalf of people with disabilities.

cc: DMH/DD/SAS Executive Leadership  
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Allyn Guffey  
Dan Stewart  
Rob Lamme  
DMA Senior Management Team  
Kay Holder  
Deborah Landry  
Wayne Williams

**Local Management Entities Selected to Perform  
After-Hours Screening, Triage, and Referral (STR)**

<b>LME Selected</b>	<b>Programs Covered</b>	<b>Counties Covered</b>
Albemarle	Albemarle, Tidelands	Beaufort, Camden, Chowan, Currituck, Dare, Hyde, Martin, Pasquotank, Perquimans, Tyrell, Washington
Crossroads	Catawba, Crossroads, Foothills	Alexander, Burke, Caldwell, Catawba, Iredell, McDowell, Surry, Yadkin
Eastpointe	Eastpointe, Edgecombe-Nash, Neuse, Pitt, Roanoke-Chowan, Wilson-Greene	Bertie, Craven, Duplin, Edgecombe, Gates, Greene, Hertford, Jones, Lenoir, Nash, Northampton, Pitt, Pamlico, Sampson, Wayne, Wilson
Five County	Alamance-Caswell-Rockingham, Durham, Five County, Orange-Person-Chatham	Alamance, Caswell, Chatham, Durham, Franklin, Granville, Halifax, Orange, Person, Rockingham, Vance, Warren
Guilford	CenterPoint, Guilford	Davie, Forsyth, Guilford, Stokes
Mecklenburg	Mecklenburg, Pathways	Cleveland, Gaston, Lincoln, Mecklenburg
Piedmont *	Piedmont (formerly Piedmont and Davidson)	Cabarrus, Davidson, Rowan, Stanly, Union
Sandhills	Sandhills (formerly Lee-Harnett, Randolph, Sandhills)	Anson, Harnett, Hoke, Lee, Montgomery, Moore, Randolph, Richmond
Smoky Mountain	New River, Smoky Mountain	Alleghany, Ashe, Avery, Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain, Watauga, Wilkes
Southeastern	Cumberland, Johnston, Onslow-Carteret, Southeastern, Southeastern Regional	Bladen, Brunswick, Carteret, Columbus, Cumberland, Johnston, New Hanover, Onslow, Robeson, Pender, Scotland
Wake **	<i>No Response. No Funding</i>	<i>No Response. No Funding</i>
Western Highlands	Western Highlands (formerly Blue Ridge, Rutherford-Polk, Trend)	Buncombe, Henderson, Madison, Mitchell, Polk, Rutherford, Transylvania, Yancey

\* Piedmont has been approved for separate Medicaid waivers as a pilot project which allow services and procedures to be somewhat different in that five-county catchment area.

\*\* Wake did not identify a partner or submit an application to perform STR.